



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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April 25, 2007

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report—CA4WDC Conservation and Education Foundation, Inc., Grant Agreement UNP5-02-17

Enclosed is the final report on our audit of the CA4WDC Conservation and Education Foundation's (Foundation) Used Oil Non-Profit Grant agreement UNP5-02-17 for the period May 1, 2003 through April 30, 2005. The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board). The audit included a review of receipts, expenditures, internal control, and compliance with certain grant agreement provisions.

Except as noted in the *Finding and Recommendation* section of this report, the Foundation complied with the fiscal requirements of its grant agreement. The Foundation's response and our evaluation of the response have been incorporated into this final report.

If you have any questions regarding this report, please contact Susan M. Botkin, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board
Ms. Bonnie Cornwall, Supervisor, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. Donald Spuhler, President, CA4WDC Conservation and Education Foundation, Inc.

AG_{GRANT}AUDIT

CA4WDC Conservation and Education Foundation
Used Oil Non-Profit Grant
UNP5-02-17
For the Period May 1, 2003
through April 30, 2005

Prepared By:
Office of State Audits and Evaluations
Department of Finance

TABLE OF CONTENTS

Preface	iii
Independent Auditor's Report.....	1
Statement of Revenue and Expenditures.....	3
Notes to the Statement of Revenue and Expenditures	4
Finding and Recommendation	6
Response	7
Evaluation of Response	10

The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded a \$239,565 grant (UNP5-02-17) to the CA4WDC Conservation and Education Foundation (Foundation) to participate in the Used Oil Non-Profit Grant Program. The grant agreement was funded by the Used Oil Recycling Fund and covered the period May 1, 2003 through April 30, 2005.

The objective of this audit was to determine the Foundation's fiscal compliance with the aforementioned grant agreement. The audit also assessed the Foundation's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal controls. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the Foundation.

This report is intended for the information and use of Board and Foundation management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Susan M. Botkin, CGFM
Manager

Rick Cervantes, CPA
Supervisor

Ramon Juarez



INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

We have audited the accompanying CA4WDC Conservation and Education Foundation's (Foundation) *Statement of Revenue and Expenditures* (Statement) for grant agreement UNP5 02-17 for the period May 1, 2003 through April 30, 2005, executed between the Foundation and the California Integrated Waste Management Board (Board). The Statement was prepared from the Foundation's records and is the responsibility of Foundation management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining the Foundation's fiscal compliance with the aforementioned grant agreement. The Statement is not intended to be a presentation of the Foundation's total revenue and expenditures.

As discussed further in Finding 1, the Foundation could not provide evidence of actual payment for certain expenditures. As a result, we question reported grant expenditures of \$31,237.

In our opinion, except for the matter discussed in the preceding paragraph, the Statement referred to above presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement UNP5-02-17 for the period May 1, 2003 through April 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the Foundation's compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported herein under *Generally Accepted Government Auditing Standards*. The instance of noncompliance with the grant agreement requirements is described in the *Finding and Recommendation* section of this report.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal controls over financial reporting. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of Board and Foundation management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

July 20, 2006

STATEMENT OF REVENUE AND EXPENDITURES

CA4WDC Conservation and Education Foundation
Used Oil Non-Profit Grant Agreement UNP5-02-17
For the Period May 1, 2003 through April 30, 2005

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$239,565	\$239,565	\$ 0
Expenditures:			
Publicity and Education	164,024	132,697	31,237
Personnel and Other	<u>75,541</u>	<u>75,541</u>	<u>0</u>
Total Expenditures	<u>239,565</u>	<u>208,238</u>	<u>31,237</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 31,327</u>	<u>\$ 31,237</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

CA4WDC Conservation and Education Foundation Used Oil Non-Profit Grant Agreement UNP5-02-17 For the Period May 1, 2003 through April 30, 2005

NOTE 1 Description of the Reporting Entity

The CA4WDC Conservation and Education Foundation, Inc. (Foundation) was formed to develop programs in the areas of resource conservation, four-wheel drive safety, public education, and related areas. The Foundation acquires resources from both public and private sector sources to promote safe and appropriate off-road activities to the off-road community.

NOTE 2 Program Information

The California Integrated Waste Management Board (Board) administers the California Oil Recycling Enhancement Act, which includes the disbursement of Used Oil Non-Profit Grants from the Used Oil Recycling Fund.

The Legislature enacted the California Oil Recycling Enhancement Act (Public Resources Code Sections 48600 through 48691) to reduce the illegal disposal of used oil, and to recycle and reclaim used oil to the greatest extent possible. A portion of the account is issued as grants to local government and agencies directly responsible for solid waste management. The intent of the grant funds is to expand, implement, and/or improve their used oil collection opportunities.

NOTE 3 Description of the Used Oil Non-Profit Grant Agreement

The Foundation received a \$239,565 grant award from which it claimed and was reimbursed \$239,565 in grant funds. The grant provided funding to the Foundation to design, produce, and distribute educational materials and messages, specifically targeted to 4-wheel drive enthusiasts. The messages address the proper collection and disposal of used oil and filters at home and on the trail, and the need for proper preventative maintenance. The grant agreement covered the period May 1, 2003 through April 30, 2005.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement presented in this report was prepared from the Foundation's financial transactions, accounts, and records. The Statement for

Grant UNP5-02-17 summarizes revenue and expenditures recorded by the Foundation during the period May 1, 2003 through April 30, 2005 only, and is not intended to represent all of the Foundation's financial activities.

B. Basis of Accounting

The Foundation's accounts are maintained on an accrual basis and in accordance with generally accepted accounting principles practiced in the United States. Under the accrual basis, revenues are recognized as the related services are provided. Expenses are recorded as they are incurred.

FINDING AND RECOMMENDATION

The audit identified a reportable compliance issue requiring corrective action. This issue resulted from the failure to follow grant agreement requirements. The following recommendations, if implemented, will improve the Foundation's fiscal control over grant funds and protect the Foundation and state interests in the event of disputes.

FINDING

Unsupported Claimed and Reimbursed Expenditures

Condition: The Foundation claimed expenditures for event sponsorship which it did not actually pay and/or incur. The Foundation stated that the individual clubs donated their respective fees to the Foundation and were not paid.

Criteria: Used Oil Nonprofit Grant, Fifth Cycle, Exhibit B (Procedures and Requirements), states that goods and services must be paid for to be eligible for reimbursement.

Recommendation: Remit \$31,237 to the Board for reimbursed ineligible expenditures. The Board will make the final determination and resolution of the questioned costs.



*CA4WDC Conservation
and Education Foundation*
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Sacramento, CA 95824-2304
(916) 381-8300
(916) 381 8726 (Fax)

March 22, 2007

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

To Whom It May Concern:

This letter is in response to your letter dated March 7, 2007, Subject: Draft Audit Report – CA4WDC Conservation and Education Foundation, Inc., Grant Agreement UNP5-02-17.

In your Confidential Draft Report and your draft letter to the California Integrated Waste Management Board, you state that the Foundation “could not provide evidence of actual payment for certain expenditures. As a result, we question reported grant expenditures of \$31,237.” In your Finding and Recommendations Condition you state, “The Foundation claimed expenditures for every sponsorship which it did not actually pay and/or incur. The Foundation stated that the individual clubs donated their respective fees to the Foundation and were not paid.”

In our original proposal, we budgeted for \$79,650 to cover payments to more than 100 Association clubs for conducting 250 days of used oil and filter survey work at trailheads throughout California. This amount also included reimbursement to clubs for mileage. We successfully completed this facet of the program; however, we had many participating clubs asking to donate part or all of their earnings back to the Foundation. When a club donated money back to the Foundation, we simply deposited the money from CIWMB into the Foundation checking account.

Mr. Ramon Juarez, our auditor from your office, found this accounting procedure lacking the proper paper trail and brought it to our attention. He said all participating clubs should have received a check from the Foundation. Hence, should they choose to donate money back to the Foundation, they would send a check back from the club. We agreed with Mr. Juarez; however, we also pointed out that the majority of our clubs do not have checking accounts and we would have been creating a giant quagmire.

Clearly, we now fully understand the importance of keeping better records of all expenses and we assured Mr. Juarez that we had learned a lesson and would apply those principles with future grants. Nowhere during the audit or during the exit interview did Mr. Juarez indicate that he would recommend that the Foundation be held accountable for repayment of \$31,237 to the CIWMB.

We feel strongly that the Foundation did an outstanding job on this Used Oil grant and should not be held accountable for an improper accounting procedure. We not only completed every task in our Work Plan, but by keeping our expenses below budget, we were able to add eight extra trailhead survey days and an additional booth outreach day. Mr. Glenn Gallagher, our grant manager with CIWMB, was fully aware of every facet of the program and the fact that Association clubs were donating funds back to the Foundation.

We would urge your office to reconsider its recommendation for the Foundation to repay \$31,237.

Respectfully submitted,

Original signed by:

Donald Spuhler
President
CA4WDC Conservation and Education Foundation

EVALUATION OF RESPONSE

We have reviewed CA4WDC Conservation and Education Foundation's (Foundation) response to the draft audit report.

The Foundation did not provide evidence to support the claimed expenditures and the grant agreement specifically states that the goods and services must be paid to be eligible for reimbursement. The original recommendation stands.